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California Outlook: Agriculture 1983

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OVERVIEW

The financial condition of California farmers will improve in 1983 following two years of declining commodity prices and rising production costs. The improvement will largely result from federal programs and a revived domestic economy. Net farm income will increase for the first time since 1979. (See Figure 1.) However, large inventories of many agricultural products, plus generally weak worldwide economic growth, will restrain the recovery for California farmers.

Gross farm income is expected to rise a modest 2.1 percent, to $14.9 billion. With a 1.2 percent decline in production expenses—due to federal land diversion programs and a lower rate of inflation—net farm income should rise 20 percent, to $2.7 billion. However, the figure remains well below the $3 billion-plus levels reached in 1979 and 1980. (See Table 1.)

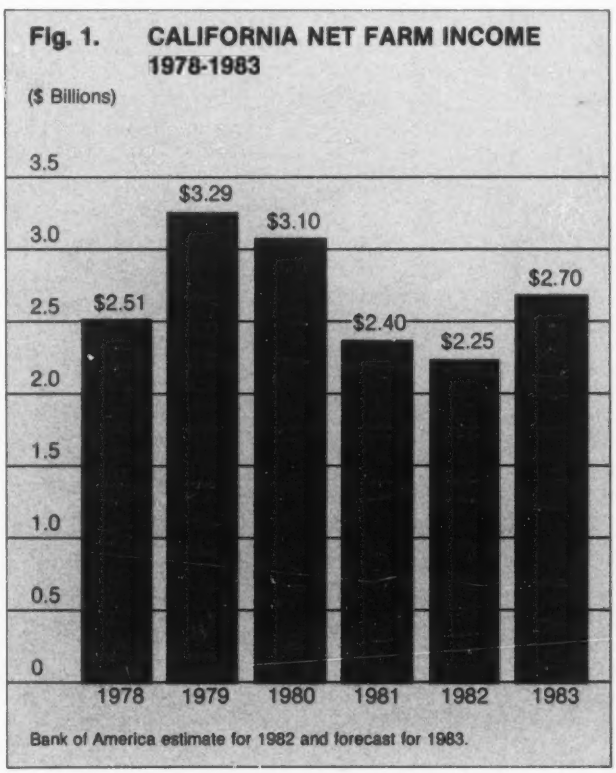
The federal government's land diversion programs, especially PIK, the Payment-in-Kind program (see page 3), will reduce overall production costs and raise incomes for field crop producers, who account for nearly 30 percent of total cash farm receipts in California. As more than 1.5 million acres will be taken out of production, input needs will be reduced, prolonging the difficulties of agribusiness firms—such as seed, fertilizer, and machinery companies.

California's cash farm receipts, the major component of gross farm income, will top $14 billion for the first time. (See Table 2.) Crop sale receipts will rise about 3 percent to nearly $10 billion. Increased sales of vegetables, fruits, and nuts will be offset somewhat by a 1.2 percent decline in cash receipts for field crops, attributable to the PIK program. Cash receipts for livestock and livestock products will remain at about $4.2 billion for the third straight year.

Consumer food prices are expected to rise only 3 percent in 1983, matching the anticipated rate of increase in the Consumer Price Index. Higher fresh fruit, vegetable, and field crop prices will be offset by an overall decline in meat prices. The prices of storable commodities, such as nuts, wine, and processed fruits, should remain stable.

Following two years of sluggish exports, California producers should find modest improvement in foreign demand for their products in 1983. Some decline in the value of the dollar and increased government support also will help stimulate exports. Nevertheless, sustained expansion of sales abroad will depend on the ability of California agribusiness to develop new markets in growing economies, such as in Southeast Asia.

Fig. 1. CALIFORNIA NET FARM INCOME 1978-1983



Bank of America estimate for 1982 and forecast for 1983.

EXTERNAL FACTORS

The performance of California's agribusiness sector will continue to be heavily influenced by forces beyond the control of individual farm managers in 1983. Federal government farm programs will play an increasingly strong role in the decision-making process of field crop and livestock producers. For vegetable producers especially, severe winter storms disrupted fieldwork and affected marketing and planting decisions. However, the extent of economic recovery in the United States and globally will be the main factor affecting markets for agricultural products in 1983.

While field crop producers are benefiting from increased involvement by the government in their farm operations, dairy producers are receiving less overall government support. Profit margins are being squeezed by an assessment on dairy farmers as the government attempts to defray the cost of its dairy price-support program.

Weather Dampens Outlook

Severe winter storms disrupted farm operations throughout California and are provoking concern over spring flooding. Precipitation levels were 25 to 125 percent above normal throughout the state. In fact, the last two years have been the wettest consecutive seasons on record. Broken levees caused flooding in many areas of the Sacramento Delta. The Tulare Lake Basin was also flooded, and spring runoff could put more land under water.

Lettuce, asparagus, and artichoke growers in the Salinas Valley were among the hardest hit by the storms as harvests were disrupted and yields reduced. Orchard crops could be severely reduced due to wind damage and heavy rain. Continuous rain during the flowering stage disrupted pollination and will reduce deciduous fruit and nut crops. Flooding of orchards may result in a loss of some trees.

The persistent rainfall also affected planting decisions. Rains and wet and flooded fields delayed planting of processing tomatoes, rice, cotton, and many other crops. For cotton and grain producers, the storm effects made the PIK program more attractive as fields could be removed from production. Many growers were forced to plant faster maturing but lower yielding varieties. In addition, late planting will make crops susceptible to damage from early autumn rains.

Economic Environment Improves

Signs of recovery in the U.S. economy have begun to boost consumer confidence. After suffering through two years of economic stagnation and rising unemployment, consumers are now seeing positive results from lower interest rates and increased economic activity. However, doubt about the direction of the economy has been replaced by uncertainty over the strength and durability of the recovery. While economic growth appears to be strong in the first two quarters of 1983, some problems persist. Unemployment remains above 10 percent and real interest rates, the difference between nominal interest rates and inflation, are still relatively high for a period of economic recovery.

Interest rates nonetheless have declined and are not expected to have the same negative impact on net farm income in 1983 as in the previous two years. Interest payments on debt as a percentage of total farm expenditures rose from 7 percent in 1973 to 15 percent in 1982. In the past two years, farm managers cut back substantially on the purchase of inputs, especially machinery, because of prohibitively high interest rates. In 1983, farm input purchases overall will also be down as large amounts of land are taken out of production. However, farm managers will consider replacing machinery as a result of lower interest rates and incentive pricing from dealers.

The Consumer Price Index has been rising at an annual rate of less than 3 percent, down substantially from 10 percent in 1981 and 6 percent in 1982. A lower rate of inflation will hold most input prices to near or only slightly above 1982 levels. Disarray in the oil-producing countries will keep down the cost

Table 1. California Farm Income and Expenses, 1978-1983

Year	Cash Receipts	Percent Change	Gross Farm Income	Percent Change	Production Expenses	Percent Change	Net Farm Income	Percent Change
	(millions)		(millions)		(millions)		(millions)	
1978	$10,638	12.4	$11,025	11.6	$ 8,512	11.5	$2,513	12.2
1979	12,899	21.3	13,447	22.0	10,155	19.3	3,292	31.0
1980	13,722	6.4	14,291	6.3	11,188	10.2	3,103	-5.8
1981	13,844	0.9	14,536	1.7	12,134	8.5	2,402	-22.6
1982	13,910	0.4	14,600	0.4	12,350	1.8	2,250	-6.3
1983	14,200	2.2	14,900	2.1	12,200	-1.2	2,700	20.0

Bank of America estimates for 1982 and forecasts for 1983.

PAYMENT-IN-KIND PROGRAM

In an effort to reduce surplus stocks of agricultural commodities and thereby boost commodity prices and farm incomes, the Payment-in-Kind (PIK) program was introduced in early 1983 to decrease this year's output of field crops—cotton, rice, wheat, and corn. The accumulation of stocks in the past two years, due to abundant domestic production and declining exports, has caused commodity prices to drop considerably. The program encourages farmers to take land out of production in exchange for payments made primarily in the form of commodities. The commodities used as payment would be drawn from government stocks, thus reducing the existing surplus and laying the groundwork for higher prices.

PIK supplements the existing Acreage Reduction Program (ARP), which requires farmers to remove 20 percent of their acreage from production. In return, the farmers receive a direct payment from the U.S. Department of Agriculture (USDA) for a portion of the reduced acreage. In addition, farmers can take advantage of the government loan program and be guaranteed a target price for the crop produced. At harvest time, farmers can either sell their crop at the market price or place it in the loan program. They receive a payment equal to the difference between the loan rate, or the market price they received, and the target price.

Farmers had to sign up for the programs by March 11 and were offered two choices for participation. They could elect to take an additional 10 to 30 percent of acreage out of production after their ARP compliance. In exchange, they would receive a percentage of the foregone crop out of government stocks. Commodities currently in government storage and in the government loan and farmer-owned-reserve programs are to be used as payments-in-kind. These stocks will be distributed at normal harvest times, although the USDA will finance the cost of storage for up to five months.

Alternatively, farmers could submit a bid to the government to forego production entirely in 1983 in return for title to government-held commodities equal to a percentage of their average production. The USDA accepted the lowest whole-acreage bids, subject to a restriction that no more than 45 percent of the acreage of any county be retired under both programs.

Farmers throughout the nation enrolled in the programs, agreeing to take 82.3 million acres out of production. The high rate of participation by California farmers (see Table 3) was due in large part to provisions exempting the commodities paid in kind from the restrictions that limit government payments to $50,000 per farmer. The large size of many California operations had precluded their owners from participating in earlier land diversion programs. The serious financial difficulties currently facing California's field crop farmers also provided a strong impetus for participation.

The success of the program in raising farm incomes depends not only on sign-up levels but on actual rates of participation. Farmers are not obligated to keep their enrolled land out of production although they would lose the ARP program benefits if it is planted. PIK imposes additional penalties. It is likely, however, that most participating farmers will keep sizable acreages out of production and receive the government-held commodities in exchange, thus substantially reducing stored supplies. Even so, stocks will still need to be further reduced for the program to have a strong price-enhancing impact. The potential savings in production costs through program participation will be a more significant contributor to 1983 farm income than higher commodity prices.

of energy, a major farm expense. Reduced costs will be the major factor behind the boost in net farm income in 1983.

With exports accounting for nearly 30 percent of the state's cash receipts for farm products, the progress of the world economy is extremely important to California farmers. The slow and halting recovery expected for the world economy in 1983 will mean only slight improvement for agricultural exports. Real global economic growth is projected to be about 2 percent. Nonetheless, the 1983 economic environment will be better than the severe recessionary years of 1981 and 1982.

COMMODITY OUTLOOK

Higher Net Profits from Field Crops

Due to federal government programs, California field crop producers will see improved incomes in 1983, after suffering from two years of negative returns. The announcement of the Payment-in-Kind program received enthusiastic support from the farm community. California farmers enrolled in record numbers for the cotton, rice, wheat, and corn programs. Overall, more than 1.5 million acres of California land usually planted in field crops are being taken out of production in 1983. Although in-

kind payments are considered to be cash received by the growers, overall receipts are forecast to decline by $50 million in 1983 since fewer commodities will be received in kind than would have been produced on the idled land. (See Table 3.) However, net field crop income will improve dramatically as farmers will save an estimated $500 million in production expenses.

While government programs will start a recovery for producers in the state, sustained improvement will depend on an increase in consumption. Signs of U.S. economic recovery signal greater domestic consumption, but more exports also are needed since over 50 percent of the field crops grown in the state are normally sold to foreign buyers. World recession greatly reduced foreign purchases of California commodities in 1981 and 1982, and farm exports are still impacted by the slow global economic recovery and the strength of the U.S. dollar relative to other currencies.

Cotton

Participation in the Payment-in-Kind program by cotton farmers has exceeded expectations, with over 80 percent of the nation's producers signing up for the program. In 1983, planted acreage nationwide will decrease more than 28 percent from 1982's acreage and 43 percent from the 1981 level. In California, the decreases will be 38 and 45 percent, respectively.

The PIK program will substantially reduce domestic cotton stocks. Cotton on hand at the end of the 1983 marketing year (July 1984) is forecast to be 5.5 million bales, down 35 percent from stocks at the end of the 1982 marketing year.

Expectations of reduced supplies allowed prices to strengthen in the winter and spring months. However, the major benefit of the PIK program will be reduced production expenses. This will allow net income to increase despite the smaller sales volume.

California became the number one cotton state in 1982, producing 3.05 million bales and exceeding production in Texas for the first time. Yet, on average, cotton growers' net returns were negative as prices remained below production costs for the second year in a row. Many producers in the southern San Joaquin Valley spent over 75 cents per pound in 1982 to produce cotton, yet prices remained well below 70 cents per pound.

Anticipation of diminished supplies has improved the income outlook for the state's cotton farmers, but sales have not yet picked up. Improved world trade is needed for long-run growth. Over 80 percent of California cotton enters the export market, mostly destined for Asia. With the strong dollar and world recession, cotton sales fell sharply in 1981 and 1982. The largest decline in purchases came as a result of actions by the People's Republic of China. By increasing its domestic production, China decreased purchases of U.S. cotton from more than 2 million bales in 1979 to less than 400,000 bales in 1982. It has purchased no U.S. cotton in 1983 due to trade disputes with the United States over textile products.

Rice

California rice farmers have been the hardest hit by the slump in the farm economy, but they may see the strongest improvement in 1983, due to lower production levels and the prospect of increased exports. While rice prices have declined over 40 percent since 1980—dropping well below break-even levels—federal government programs offer growers improved cash flow in 1983. Record numbers of producers, representing over 95 percent of the rice acreage in California, enrolled in the PIK program—attesting to the poor economic returns from growing rice during the past two years. Since the best high-yielding land will stay in production, the crop will be reduced by about 40 percent.

Declines in production will allow producers and cooperatives to rid themselves of burdensome stocks of rice, which sell at depressed prices and are expensive to store. Due to a drought beginning in 1982, Indo-

Table 2. Cash Farm Receipts in California, 1978–1983

Year	Vegetables	Percent Change	Fruits and Nuts	Percent Change	Field Crops	Percent Change	Horticultural Specialties[1]	Percent Change	All Crops	Percent Change
	(millions)		(millions)		(millions)		(millions)		(millions)	
1978	$2,055	7.8	$2,550	20.4	$1,966	5.3	$ 665	11.9	$7,236	11.6
1979	2,233	8.7	2,978	16.8	2,656	35.1	805	21.0	8,672	19.9
1980	2,254	0.9	3,025	1.6	3,446	29.7	907	12.7	9,632	11.1
1981	2,537	12.6	2,821	-6.7	3,357	-2.6	908	1.2	9,623	-0.1
1982	2,875	13.3	2,960	4.9	2,985	-11.1	880	-3.1	9,700	0.7
1983	2,990	4.0	3,145	6.3	2,935	-1.7	910	3.4	9,980	3.0

[1]Includes forest products.
Bank of America estimates for 1982 and forecasts for 1983.

Table 3. California Participation in PIK and ARP Programs

(In thousands)	Rice	Wheat	Cotton	Corn	Barley*	Totals
1983 acreage base	625	1,344	1,560	387	745	4,662
Share enrolled	97.7%	69.7%	80.8%	48.2%	46.6%	71.7%
Diverted acres	286	480	620	105	69	1,561
Remaining acres	339	864	940	282	676	3,101
1982 harvest	535	1,125	1,370	333	660	4,023

*Barley producers were eligible only for the ARP program.

nesia is expected to import close to 2 million tons of rice in 1983, up from 330,000 tons last year.

Livestock Margins Squeezed

While field crop farmers applaud the PIK program for its ability to boost their incomes, livestock producers will be faced with reduced margins in 1983 as feed costs increase. Stronger consumer demand for meat should keep prices from dropping substantially below last year's levels, despite increased production. Cash receipts for livestock and livestock products are forecast to remain flat at just over $4.2 billion.

Dairy farmers are especially concerned about rising feed-grain and alfalfa prices, since their margins are also being compressed by reduced federal support. The Reagan Administration plans to assess dairies $1.00 per hundredweight of milk produced. This is an initial effort to solve the problem of excess milk products that the government is obligated to buy to support prices. While this program will reduce dairy profitability and induce lower production, Congress is debating legislation to further constrain output.

Beef feedlot operations expanded in late 1982 in response to higher prices and cheaper feed costs. The outlook for beef production has deteriorated since those decisions were made. Increasing hog numbers, for example, will place downward pressure on beef prices in the spring and autumn as consumers substitute pork for beef. Also, higher prices for feed will reduce feedlot margins. Beef producers, however, will see some rebound in consumer demand as the economic recovery boosts disposable incomes.

While feedlot operations will face a difficult year in 1983, the situation for cow-calf producers is improving. Cow-calf operators produce the feeder cattle that move into feedlots. Provisions in PIK allow for grazing on the diverted wheat acreage that was planted before the sign-up period; thus, wheat farmers in the Midwest are purchasing feeder cattle for this purpose. This situation has driven up feeder cattle demand and boosted prices for cow-calf operators.

Livestock and Livestock Products	Percent Change	Total Receipts	Percent Change
(millions)		(millions)	
$3,402	14.1	$10,638	12.4
4,227	24.3	12,899	21.3
4,090	-3.2	13,722	6.4
4,221	3.2	13,844	0.9
4,210	-0.3	13,910	0.4
4,220	0.2	14,200	2.2

Poultry and Eggs

Poultry and eggs will be increasingly important contributors to the state's farm income in 1983. Cash receipts from broiler, egg, and turkey production are expected to total $800 million, up from $775 million in 1982. The increased cost of feed related to the PIK program, however, will hold down net profit margins.

Egg producers are suffering from the impacts of declining consumption, volatile production costs, and narrow profit margins. Increased feed prices will further squeeze margins in 1983. Economic recovery will not produce a rebound in egg sales, as U.S. demographic, taste, and health factors have prompted declines in egg consumption in recent years. For example, the number of home-cooked breakfasts has declined due to the growth of two-worker households. For expanded sales, egg producers are looking at export and alternative domestic markets, such as the pharmaceutical and chemical industries.

Growth Slows for Vegetables

Vegetables will continue to be an increasing contributor to California's agricultural sales in 1983, although not at the same high rate of 1982. Cash receipts are expected to rise 4 percent, to just under $3 billion. Record winter rainfall and flooding destroyed fields of spring lettuce, asparagus, and

artichokes, causing production to drop and prices to rise. However, increased acreages of winter lettuce, strawberries, and celery had been reported by early spring, and with the additional acreage expected for other vegetables, production levels should match those of last year.

The Payment-in-Kind program has provided some relief to vegetable growers. Last fall, vegetable farmers were concerned that field crop producers would switch to vegetables due to low field crop prices and negative returns. For example, competition for processing-tomato acreage has kept contract prices lower than had been expected late in 1982. Winter lettuce plantings in the Imperial Valley increased as growers moved out of cotton and wheat production. The record enrollment in PIK will restrain vegetable plantings, however, since participating field crop growers must divert acreage to "conserving" uses and may not harvest cash crops on that land.

Contracted acreage of processing tomatoes is estimated at 244,000 acres for 1983, down 2 percent from 1982. Growers are concerned that delayed plantings due to winter storms will jeopardize crop size and quality. Late harvested tomatoes could be damaged by fall rains; conversely, a dry autumn could foster a large crop. Many growers have switched to faster maturing varieties which have lower yields. Unless the autumn harvest is especially bountiful, overall crop size is thus likely to decline by more than the expected acreage reduction.

The processing tomato industry is currently facing stiff competition from European tomato products. Because the dollar is strong and export subsidies are provided by the European Economic Community, canned tomato imports from Italy can be sold at prices well below California's.

Strawberries (classified as vegetables by the Department of Agriculture) have become the state's third most valuable vegetable crop, ranking behind processing tomatoes and lettuce. Cash receipts will total nearly $300 million in 1983, placing strawberries above celery, broccoli, and artichokes. Acreage for harvest in 1983 is reported to be 3 percent above 1982 levels. Continuing growth in strawberry production reflects growing consumer demand for high-quality fresh produce.

Better Economy Boosts Fruit and Nut Sales

Continued improvement in sales of California fruit and nut crops is expected to accompany economic recovery in 1983. Cash receipts are forecast to rise over 6 percent to more than $3 billion as consumer confidence builds. This will lead to increased consumption and prices for fresh fruits. While canned and processed fruits will continue to suffer from low prices due to surplus inventories, this condition is improving due to ongoing efforts to reduce the overage.

Winter storms injured orchards throughout the state. However, the extent of the damage will not be known until this summer. Orchards, flooded by rains and overflowing rivers, may suffer excessive tree losses since standing water weakens the roots and causes disease. Continuous rains during the flowering stage of many tree crops hindered bees and disrupted pollination. As a result, the fruit set may be light even though a few dry days during the rains enabled many orchards to be fully pollinated.

Besides facing difficult weather patterns, fruit producers will be forced into continued trade battles in 1983. European subsidies and a strong dollar were major factors that limited sales and forced prices down for raisin, almond, and wine-grape growers in 1982. With the failure of the U.S. and European governments to settle trade disputes, continued difficulties in reaching European markets and more competition from European exports will be experienced in 1983.

Grapes

The California grape industry is in a state of uncertainty due to a changing market structure. Raisin exports to Europe have been cut with the entrance of Spain and Greece into the European Economic Community. The Europeans have also increased their own exports of wines, with California wineries continuously losing U.S. market share to their European counterparts during the past five years.

Fewer exports and higher inventories have caused the producers of Thompson Seedless, the major raisin grape, to consider marketing more of their crops for wine and table grapes. However, large wine inventories have forced wine grape prices significantly lower and many wineries are unwilling to accept additional shipments of Thompson Seedless grapes. The other alternative, expanding the table grape market, will also be difficult. Producers are therefore beginning to look to Asia and other export markets outside Europe to move their raisin crop.

Throughout the past decade, the California wine industry has grown at an annual rate of more than 5 percent. This growth is attributable to an expanding domestic market as American consumers develop a taste for wine. However, this industry growth has not been steady but subject to cycles of weak demand, over production, and low prices.

The recession and competition from imported wines have limited demand for California wines while a record wine grape crush in 1982 has increased supplies and further reduced prices. Though purchases of California wines should improve in 1983 due to economic recovery and a more competitive dollar, large inventories of wine will keep grape prices low.

Citrus

Cash receipts from the state's orange crop are forecast to be at record levels in 1983, approaching $390 million. Increased sales will be based on a jump in production of nearly 60 percent over last year's weather-reduced crop. Prices, however, will decline substantially. Orange producers enjoyed high prices in 1982 due to a poor crop in Florida and a below-average yield in California. With increased production, price declines of up to 30 percent are forecast for 1983.

Grapefruit growers will continue to see declining markets in 1983. Rapidly expanding production of high-quality fruit in Florida, Arizona, and Texas is displacing California produce in both domestic and export markets. California, with less than 10 percent of the market, now ranks third in grapefruit production—behind Texas and Florida.

AGRICULTURAL EXPORTS

California agriculture plays a key role in the international food system. While cotton, rice, and wheat are the state's three top ranking agricultural exports, the bulk of California's exports is composed of a myriad of relatively high-value specialty crops. For most of these commodities—fruits, nuts, and vegetables—California is the major and often the only U.S. exporter.

In value, agricultural exports account for about 28 percent of total farm production and over $4 billion in sales. In fact, a third of the state's cropland is harvested for export to foreign markets, especially to Japan and Europe.

In volume as well as in dollars, however, California farm exports declined in 1982. Increased farm subsidies by the European Economic Community

CALIFORNIA FARMLAND

In the past two years, the rate of increase in farm real estate values has slowed markedly. For the nation as a whole, farm real estate values actually declined 1 percent in 1981, following increases of 15 percent in 1979 and 10 percent in 1980. In California—where farm real estate represents 85 percent of farm assets—prices rose less than 10 percent in 1981, following gains of 20 percent in 1979 and 22 percent in 1980.

With prices of many agricultural products continuing to be pressured by slack demand and large supplies, California farmland values are not expected to increase significantly in the near future. At present, substantial quantities of land are available for sale but relatively few transactions are occurring. Potential buyers have adopted a wait-and-see attitude regarding both commodity and land prices.

While some downward movement in farmland values is possible, it is more likely that prices will level off from the rapid increases experienced during the 1970s. However, without improvement in commodity prices in the near term, some farmers could be forced to liquidate assets, leading to increased quantities of farmland on the market and a further softening of prices. Any downward adjustment or leveling off of land prices will limit the landowners' ability to finance farming operations.

For many farmers, the rapid appreciation of land values in recent years has provided the underpinning for their ability to weather economic adversity—through continued access to financing. Between 1978 and 1982, the total value of California farm assets more than doubled, advancing from $35.7 billion to $72.3 billion. Higher real estate values accounted for 88 percent of the increase. During roughly this same period, the average value of California farmland increased from $914 per acre to $1,905 per acre, an annual average increase of 26 percent.

The rapid rise in farmland prices, however, has made it much more difficult for potential new farmers to become established and has led to increased renting and leasing. Higher prices also have made it more difficult for some farmers to buy additional land to expand their operations. But many who have added to their acreage—using appreciated land values as the basis for access to credit—have improved operating efficiencies through economies of scale, leading to higher revenues and net profits.

In many cases, increased asset values also have provided the basis for debt restructuring. By converting short-term obligations to long-term debt, some farmers have been able to reduce their debt-service burden. Finally, the added value of their land has enabled many farmers to continue receiving production loans despite reduced revenues from depressed commodity prices.

have made locally grown products more competitive with California's. In addition, European producers are also beginning to export more aggressively worldwide. With the entrance into the community of the important specialty-crop-producing countries of Spain, Portugal, and Greece, California's access to northern European markets has been further reduced.

During the past two years, prices of many U.S. farm commodities have fallen dramatically due to the accumulation of burdensome supplies. In previous years, lower prices have encouraged foreign buyers to increase purchases, thus helping to reduce surpluses and eventually boost prices. However, the recent price declines have been offset by the high value of the dollar. The U.S. dollar price of cotton, for example, declined 27 percent from the first quarter of 1981 to the last quarter of 1982. Yet, in terms of the Japanese yen, the price decreased only 9 percent; and in British pounds, it actually increased 2 percent.

In response to declines in farm exports, the federal government has developed a blended credit program. In October 1982, more than $500 million was made available to countries importing U.S. agricultural products through this program. The program combined $160 million of interest-free loans authorized by Congress with an additional $400 million in loan guarantees to encourage commercial banks to extend credit to developing countries. The program proved so attractive to these countries that 70 percent of the funds were depleted within three weeks—resulting in increased shipments of cotton, soybean meal, wheat, and flour.

The major marketing opportunities, however, lie in the middle-income developing countries. Population increases and growing affluence in these countries, especially in Southeast Asia and the Middle East, have permitted a major transformation in dietary patterns. Economic growth has increased per capita income, resulting in growing demand for more and better food. As incomes rise and are more evenly distributed, high-value specialty crops have an excellent potential for expanded sales.

Promoting California Agricultural Exports

While export growth will be determined by many factors outside the control of California agribusiness, there are actions that growers and trade associations can take to promote exports, such as:

Taking advantage of existing government export promotional activities. U.S. export expansion is a policy priority of the federal government. Agricultural exports, which account for 19 percent of total U.S. exports, will furnish major opportunities for continued export growth. To aid exports, the government offers a number of programs, such as the blended credit and Public Law 480, which subsidizes sales to developing countries. In addition, the Foreign Agricultural Service of the USDA organizes government efforts to promote exports through increasing domestic awareness of offshore marketing and promotional opportunities.

Lobbying for additional export assistance. Although the U.S. government is actively promoting agricultural exports, many government officials are not fully aware of the export concerns of California farmers. The preponderance of USDA's efforts is directed toward promoting grains and oilseeds, produced mainly in the Midwest, with less emphasis on export assistance for California's specialty crops. Lobbying for the inclusion of these crops in agricultural export legislation may improve trade prospects.

Directly promoting more exports. Agricultural trade organizations can increase exports and opportunities for their members through inventive programs. Locating representatives in targeted countries and participating in trade shows have stimulated exports for many industries. In agribusiness, the citrus and almond associations in particular have expanded their Asian sales through active promotional programs. In the future, the newly authorized U.S. export trading companies will most likely offer new opportunities for boosting agricultural sales abroad.

Although export promotion requires a substantial amount of time and expense, it is clear that the market growth desired by many California producers can only be achieved by exporting.

Bank of America, as the nation's largest commercial bank lender to agriculture, provides a complete package of financial services to farmers and other agribusiness participants. Among these services are the financing of crop and livestock production, farm real estate and improvements, and operations of feedlots, co-ops, processors, and dealers. It also provides commodity loans, equipment financing and leasing, trade and margin financing, appraisal and trust services. For crop production loan customers, Bank of America offers a computer-assisted financial service. This service covers all related aspects of financial management and planning for farmers and allows them to monitor their progress against projections and goals.

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